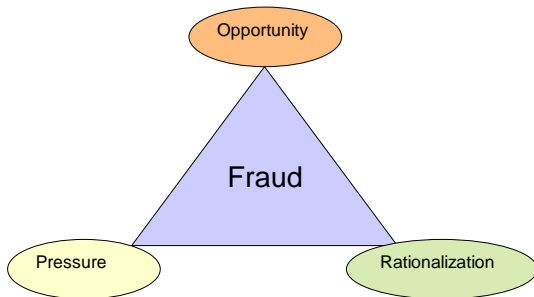


Accounting Internal Controls for County Treasurers

August 2011

Cressey's Fraud Triangle



Internal Controls

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

Control Environment

- Integrity and Ethical Values
- Commitment to Competence
- Philosophy and Operating Style
- Organizational Structure
- Assignment of Authority & Responsibility
- Human Resource Policies and Practices
- Oversight

Risk Assessment

- Established Objectives
- Activity level objectives are linked to Clerk and county objectives
- Risk Identification
- Risk Analysis
- Managing Risk During Change

Control Activities

- Relate to every other element of internal control
- General
 - Policies and Procedures
 - Communicated
 - Implemented

Common Areas of Control Activities

- Reviews and Approvals
- Management of People
- Managing IT Systems
- Physical Safeguards
- Performance Measures
- Segregation of Duties
- Execution of Transactions & Events
- Recording Transactions & Events
- Access Restrictions
- Documentation

Information and Communication

- ☐ Important information identified and communicated upward
- ☐ Management's messages are clearly communicated
- ☐ Means of communication are appropriate and specified



Monitoring

- Strategy to monitor and make certain appropriate actions are taken based on monitoring
- Information is flowing to management from within and from the outside
- Appropriate Supervision
- Comparisons or reconciliations of data & assets
- Audit Resolution

Areas for Treasurers to Review

- Reconciling
 - Bank to Cash Book (13)
 - Cash Book to Auditor (5)
- Daily Deposits (1)
- ☐ Timely Posting (5)
- ☐ Cash Collections
- ☐ Segregation of Duties

Reconciling

- Bank statements must be reconciled at least monthly per IC 5-13-6-1.
- Treasurer's funds ledger should agree with the Auditor's funds ledger at all times.
- Document this reconciliation at least monthly.
- Identify and correct errors detected in a timely manner.

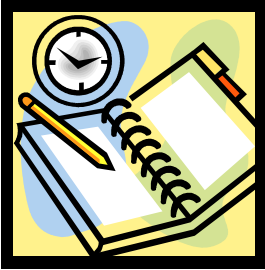


Daily Deposits

- Required by IC 5-13-6.
- Safeguarding control
 - Daily close out
 - Limits access



Timely Posting



- Required by the uniform compliance guidelines.
- Necessary for accurate financial reporting
- To reduce and prevent skimming

Cash Collections

- Specify Procedures
 - In writing
 - Give Training
 - Observe
 - Get and Give Feedback
- Separate Cash Drawers
- Objective is to identify the responsible employee at all times.

Segregation of Duties

- This is a process of identifying incompatible duties and assigning them to different individuals.
- This is part of the Form 7 that the field examiners may ask you to complete for the internal control evaluation we are required to perform as part of your audit.

Cash Receipts	T	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
Open mail and write receipt	X	X	X	X	X				
Receive money, issue official receipts	X	X	X	X	X				
Take off cash register totals		X							
Balance cash drawer or cash register		X							
Make up bank deposits	X	X							
Take deposits to bank or remit to receiving officer	X	X							
Post receipts	X	X	X	X	X				
Access to computer system to make adjustments						X			
Approves adjustments						X			

Cash Receipts (con't)	T	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
Post credits to accounts receivable						X			
Prepare customer billings	X	X							
Mail billings or statements	X								
Approve bad debt write offs							X	X	
Approve accounts receivable adjustments						X			
Issue permits, licenses, etc.									X

Cash Disbursements for Purchases	T	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
1. Authorize purchases	X								
2. Prepare purchase orders									X
3. Certify receipt of goods or services		X							
4. Audit claims						X			
5. Approve claims - Disbursing Officer						X	X		

	T	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
<u>Cash Disbursements</u>									
Write checks						X			
Post checks						X			
Sign checks - Control of signature stamp	X	X				X			
Mail or distribute checks						X			
Custodian of petty cash	X								
Custodian of investments	X								
Access to check stock						X			
Access to computer system to make adjustments						X			
Approves adjustments						X			

	T	1st	2nd A	2nd B	3rd	A	BD COM	CC	NA
<u>Cash</u>									
1.Receives bank statement in mail and opens it	X								
2.Compares checks cleared to disbursements posted		X							
3.Compares deposits to receipts posted		X							
Prepares bank reconciliation		X							
Approves bank reconciliation	X								

FINAL REVIEW OF SEGREGATION OF DUTIES

Compare incompatible duties across the groupings of:

- ☐Cash Receipts
☐Cash Disbursements
☐Cash